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SUBJECT: ECONOMIC IMPACT OF MARCH FIGHTING IN KINSHASA

REF: KINSHASA 375 AND PREVIOUS

11. (U) Summary. The March 22-23 violence in Kinshasa likely cost business owners and the GDRC millions of dollars, but the precise totals have not been tallied. Most of the damage, like most of the fighting, occurred in Kinshasa's central Gombe district, the home to many government buildings and businesses. End summary.

12. (U) Small arms fire, rocket-propelled grenades, mortar explosions and looting damaged many buildings in Kinshasa's downtown Gombe district March 22-23. A handful appear to need major repairs, including a several-story building on the main boulevard (30 Juin) that houses a partially American-owned bank (BIAC) and the Spanish and Greek embassies. One of six storage tanks at SEP-Congo (DRC's petroleum import and distribution facility), holding several hundred thousand liters of fuel, caught fire after a mortar pierced it, sending flames into the air and a plume of smoke visible from miles away. Other buildings damaged as a result of looting or fighting include the GDRC's Central Bank, in which the IMF is located, several airline offices, REGIDESO (the DRC's water authority), and private residences.

13. (SBU) Significant losses resulted from scattered looting that occurred during and just after the fighting. One expatriate business owner told EconCouns he watched from his apartment as soldiers broke into his furniture store and stole an estimated USD 300,000 in inventory. He later discovered some of the stolen furniture in the apartment of a neighbor, an officer in the Congolese army. A local newspaper reported that looters took more than USD 600,000 in items from a luxury-goods boutique near the Embassy. Some public buildings also suffered from looting, including a municipal office that was emptied of documents and all other property.

14. (SBU) The violence interrupted business activities for several days. Businesses in the consumer goods sector, such as gas stations and grocery stores, had returned to normal operations in Gombe by March 26, but it is too early to gauge the impact on sectors such as banking and manufacturing. The effect on foreign direct investment is unclear and still anecdotal. A Dutch diplomat told EconOff that three trade and investment delegations from the Netherlands canceled their visits to the DRC as a result of the violence, while the Canadian Pol/Econ Counselor said the events did not appear to have discouraged mining project development and investment.

15. (U) Representatives of the Congolese Chamber of Commerce (FEC) met with the GDRC met on March 28 to discuss the economic losses businesses incurred. The GDRC declined to compensate business operators for their economic losses

during the fighting but is considering the FEC's request to extend the 2006 tax return filing deadline by one month to allow businesses time to tend to more pressing concerns the violence caused.

COMMENT

16. (U) The two days of fighting in Kinshasa and the looting that accompanied it are likely to contribute to the uneasiness of current and prospective investors. Despite optimism following the successful elections and the recent installation of the new government, the latest round of violence has probably given pause to many contemplating doing business in the DRC. End comment.

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